



March 27, 2000

Department of the Army  
 Walla Walla District Corps of Engineers  
 Attention: Lower Snake River Study  
 201 North Third Avenue  
 Walla Walla, Washington 99362-1876

**RE:** Comments on the Lower Snake Salmon Migration Report FR/EIS

Ladies and Gentlemen:

Thank you for the opportunity to comment on the Lower Snake Salmon Migration draft Feasibility Report/Environmental Impact Statement (FR/EIS). As a sometime-participant in one of the working groups for the project, I can attest to the hours and work that went into this project.

I have reviewed only the sections relevant to transportation, recreation, passive use, social, and regional impacts of the draft FR/EIS. Due to my involvement in the DREW meetings, I have a good deal of confidence in the hydropower report as well, and have also included a comment on the tribal circumstances report.

1 It is unfortunate that after spending several years and \$20 million in study costs, that a Preferred Alternative was not selected. Selection of a Preferred Alternative would allow a more focused review of the report and would help answer questions about whether the study has been a worthwhile investment. Handling of an issue this significant and politically charged calls for deliberation, but that deliberation would not have been sacrificed by selecting a Preferred Alternative.

Following are some comments about the paper. They are organized into subjects, and where appropriate, include references to specific sections or pages of the FR/EIS.

## Contents

Comments on the EIS Document .....	2
Transportation impacts .....	2
No Accounting for Rate Impacts .....	2
Capacity Assumptions .....	5
Property Value Impact .....	5
Conflict of Interest .....	6
Implementation Cost .....	6
Passive Use Values .....	6
Recreation Impacts .....	7
Air Quality .....	7

Public Input .....	8
Overlooked Impacts .....	8
An Alternative We <i>Can</i> Support .....	9
Conclusion .....	9

## Comments on the EIS Document

### Transportation impacts

#### ○ No Accounting for Rate Impacts

Despite repeated comments and correspondence to the Corps from our organization and others, the draft FR/EIS continues to ignore the transportation rate impacts of dam breaching. There are two components of the transportation cost impact: one is the cost of moving from one transportation mode to another (the difference between market rates for barge transportation and either rail or truck), and also the possibility that the cost of rail or truck will increase without competition from barge transportation.

The FR/EIS tries to make a distinction between rates and costs, contending that costs are the only valid factor. Transportation rates depend almost totally on what the market will bear, and much less on the cost of providing the service. Farmers pay for transportation services based on rates, not costs; therefore, we believe that rates are the appropriate unit for measuring impacts to farmers.

The Drawdown Regional Economic Workgroup (DREW) navigation subgroup contracted with the Upper Great Plains Transportation Institute (UGPTI) to evaluate rate impacts. The report concluded that there would be essentially no rate impacts, despite clear evidence in their own data tables to the contrary. Following are some specific problems in the UGPTI report:

#### *Grouping Montana and North Dakota*

Whiteside's review<sup>1</sup> of the UGPTI paper points out the flaws in grouping Montana and North Dakota into one homogenous region for analysis. While it might make sense to consider them both "long distance" markets, there are some key differences:

- North Dakota has Minneapolis as a primary market, with Portland and Chicago as alternatives. Montana has Portland as its primary and only market; Montana grain is priced out of Portland.
- North Dakota has competitive rail carriers; Montana is served by one railroad.
- North Dakota is primarily a spring wheat state; Montana is a mix of winter and spring

---

<sup>1</sup>Whiteside and Associates, 8/17/1999.

wheat, with different market characteristics.

- North Dakota only moves about 1% of its wheat via the river, from the extreme western edge of the state; Montana moves about 15% of its grain by the river, a significant difference.

Lack of competition in Montana grain transportation is itself a compelling reason to group Montana with Idaho and eastern Washington, or to consider Montana by itself. Whiteside estimates the transportation savings provided by barge competition to Montana producers at \$50 million per year, and another \$30 million to southeast Idaho farmers; it's most reasonable to argue that rail rates will go up by a significant share of that \$80 million, if not more, without a competitive transportation mode to constrain rates.

#### *Differential Pricing but no Rate Impact?*

If unconstrained by competition, railroads (or any other transportation modes) have the ability to charge what the market will bear. In isolated markets with no transportation alternatives, rails can charge more so they can offer lower rates where they must compete for business. In fact, railroads have stated such on the record in Surface Transportation Board hearings, as referenced by Whiteside. It is intuitively obvious that competition constrains rates.

Therefore, the contention that no rate impacts will take place when barge transportation is removed is unbelievable. It is contradicted by UGPTI's own factual tables. It defies logic.

Table 3 in the UGPTI report lists rail revenue/cost ratios for various origin/destination pairs. Since Variable Cost was available for each pair (and full cost was not), I include only the variable cost numbers. Following is a summary of that data:

Origin County	Rail Miles	Rail Rate	Variable Costs	R/VC Ratio
<b>Idaho to Portland</b>				
Nez Perce (UP)	386	NA	\$1260	NA
Nez Perce (CSP)	386	\$1331	1196	111%
Latah (BNSF)	458	1331	1359	98%
Idaho (BNSF)	463	1442	1367	105%
Boundary (BNSF)	483	1620	1396	116%
Boundary (UP)	483	1325	1402	95%
<b>Washington to Portland</b>				
Franklin (BNSF)	234	\$1227	\$1025	110%
Lincoln (BNSF)	424	1507	1308	115%
Spokane (BNSF)	364	1338	1219	110%
Chela (?? -sic.) (BNSF)	364	1464	1219	120%
Spokane (BNSF)	424	1457	1308	111%
<b>Montana to Portland</b>				
Hill (BNSF)	890	\$3610	\$2003	180%
Lewis & Clark (M.L.)	757	2789	1740	160%
Lewis & Clark (BNSF)	757	2789	1805	155%
Custer (M.L.)	1048	3410	1304	262%
Roosevelt (BNSF)	1073	3669	1338	274%
<b>North Dakota to Portland</b>				
Stark (BNSF)	1214	\$3856	\$1691	228%
Walsh (BNSF)	1612	4027	1790	225%
Trall (BNSF)	1515	4027	1798	224%
Pierce (BNSF)	1449	4027	1664	242%
Williams (BNSF)	1211	3861	1538	251%

Note the difference in Revenue/Variable Cost ratios in the various regions. R/VC ratios are 120% or less (as low as 95%) in Idaho and Washington (where river transportation exists), and no less than 155% (as high as 274%) in Montana and North Dakota where the river doesn't run. *The conclusion is obvious: where competition constrains rail rates, the revenue/cost ratios (ie. profits) are lower.* Shippers who don't have competitive transportation available are stuck. UGPTI ignored the obvious conclusion in their own data.

Whiteside's paper notes the differentials between movements to Portland for Montana grain (no market alternative) vs. Nebraska grain (Mississippi River alternative). Numbers are approximate, since they were interpreted from a graph rather than hard data.

Origin	Distance	Rate per bushel
Plentywood, MT	1203.4 miles	\$1.12 (approx.)
Alliance, NE	1471.5 miles	\$0.95 (approx.)

In other words, it costs \$1.12 per bushel to move grain 1200 miles, but only 95¢ to transport it 1470 miles. The obvious answer is the availability of alternate markets for Nebraska grain, and only one option – Portland – for Montana grain. If the Lower Snake Dams are breached, Idaho and eastern Washington will also be in a captive situation relative to transportation, just like Plentywood in the

table above, and like the Montana and North Dakota origins in the first table; their rates will increase accordingly.

Customers on the world market will not pay more for wheat if US transportation costs increase. Prices for wheat and other commodities are determined in a competitive world market, and an attempt to pass costs along through higher prices will only drive business to other suppliers. Farmers will earn less money or go out of business, because those customers can buy wheat elsewhere. The UGPTI report does a good job of making the point that any increases in cost cannot be passed forward; they are passed back to farmers, who bear the burden of any transportation and marketing cost increases.

**Bottom Line:** If barge competition is removed from eastern Washington and Idaho (and Oregon's Wallowa County which also trucks to Lewiston), it is not a question of **IF** rail rates will increase; it is a question of **HOW MUCH**. UGPTI completely missed the boat on this point.

#### ○ Capacity Assumptions

The FR/EIS report assumes that "with dam breaching, modal, handling, and storage capacity can be expanded on a regional basis to meet geographic shifts in demand without significant increases in long-run marginal and average costs."<sup>2</sup> The "long run" for this study is 100 years; ergo, if the time interval is set to sufficient length, one is allowed to assume away a whole collection of problems. Yet if a breaching scenario is implemented, construction and operation of the new facilities would be necessary prior to implementation. The Regional Effects section states that such construction would be necessary in the very short term.<sup>3</sup>

Assuming that these facilities will be built with no short-term cost to shippers is irresponsible. The FR/EIS states that 12 river elevators on the Lower Snake could be abandoned in a breaching scenario, and that construction of the necessary loading capacity in Tri-Cities could cost \$300 million<sup>4</sup>, yet still contends that these changes would be made with no impact on rates or cost. Baloney.

#### ○ Property Value Impact

The Corps acknowledges that some marginal land may be taken out of production, at least in the short term, due to dam breaching<sup>5</sup>. However, most of the land would be recapitalized at lower values and remain in grain production. In other words, the current owners would likely go bankrupt, and different operators could purchase the land at lower values that would allow resumption of grain production at the new cost equilibrium. No allowance is made in the tally of costs for the value lost as these properties drop in price, nor for the impact on the families who currently own or farm the land.

---

<sup>2</sup>"Capacity Assumptions" section, page I3-60.

<sup>3</sup>p. I6-12.

<sup>4</sup>p. I3-92.

<sup>5</sup>p. I3-62.

## **Conflict of Interest**

4 In every case but one, the authors of the various group reports within DREW were federal employees — hopefully objective third parties. The exception was the author of the Tribal Circumstances report, who was a paid consultant to the Columbia River Intertribal Fish Commission (CRITFC), but was also paid by DREW for his work in writing the report. This individual blurred the lines between being an analyst of options and being an advocate.

We have no quarrel with the inclusion of tribal perspectives in the report; in fact, the report would be incomplete without them. But if one interest group is entitled to tell its own story in its own words with its own author, the same courtesy should be extended to wheat growers, irrigators, commercial fishermen, recreators, municipalities, utilities, and the other interests along the river. The same standard should be applied to everyone.

## **Implementation Cost**

3 cont. The Implementation Cost section (3.8) indicates implementation/acquisition costs of \$97.99 million for Option 1 (adaptive management); \$74.69 million for Option 2 (maximum transportation); \$167.97 million for Option 3 (major system improvements); and \$809.53 million for Option 4 (dam breaching). Dam breaching stands out by far as the high-cost option from an implementation perspective.

## **Passive Use Values**

Attempts to include passive use values (or “existence values”) into the study have created problems from the beginning. Passive use is almost impossible to quantify reliably, and serves to cloud rather than clear the picture of economic impacts from breaching. An original attempt to survey the region drew much-deserved criticism, and should have been the end of passive use values.

5 Instead, passive-use proponents fell back on a proxy for the survey through a benefit-transfer mechanism. If the survey itself was doubtful, the proxy for the survey is even more uncertain. The FR/EIS refers to this uncertainty (see box at right), but still attempted to use these elusive numbers in the report.

“The benefit-transfer approach involves transferring existing studies, value estimates, and willingness to pay functions to new policy contexts, sites, and affected populations. The reliability and validity of such transferred values depend upon the quality of the original studies as well as the degree of similarity between the original context in which the values were estimated and the new policy context.” [FR/EIS, page I4-2.]

Of even greater concern, the Recreation report assumes that there are no passive use values for the existing system (with dams), but that passive use values do exist for a natural river system.<sup>6</sup> In other words, people aren’t made happy by knowing that the lower Snake dams exist, but some people would sleep better at night knowing that a natural river exists on the lower Snake.

---

<sup>6</sup>p. I4-2.

5  
cont. This is slippery ground. Without any objective data to support the point, it assumes that the public only values a "natural river" state on the lower Snake. One might also argue that people rest easier at night knowing that the power system is reliable, that transportation costs are reasonable, that local potatoes and fruit are being produced in the Basin, that our businesses can efficiently access world markets with their products, that our power is clean and renewable, and that we all have jobs. I have heard from several people who do indeed feel this way.

3  
cont. Passive use is problematic enough in and of itself; but to assume there are passive use values for one state and not for the other is irresponsible, even dishonest. And the size of the passive use value for breaching — \$420 million annually — is suspect. The entire section on passive use values should be removed from the report.

### **Recreation Impacts**

6 Early information leaked to environmental groups from DREW's recreation team estimated a \$5 billion positive impact from increased recreation opportunities on the "restored river". If current operations of the Lower Snake projects yield \$63 million from 2.9 million recreation visits (according to a 1996 Harza report), how many visits would it take to generate \$5 billion? The answer: 230,202,578 visits — 79 times as many as today. Furthermore, 30-45% of these new visitors must come from California<sup>7</sup>, or the whole scenario disintegrates. To its credit, the Corps points out this uncertainty in the data.<sup>8</sup> Realization of these optimistic numbers is unlikely.

6 I also did not find any discussion of the recreation currently on the river, and any gains or losses to those uses from dam breaching. One entry in a table indicates value from current reservoir and fishing uses, but the question is not treated in any depth. Fishing benefits from breaching are also highly dependent on the PATH analyses, which have been called into question by observers and by the more-recent CRI analysis that NMFS has undertaken; in other words, the fish abundance numbers on which the recreation estimates are based are subject to considerable uncertainty. An analogy of a house of cards comes to mind — if the fishery numbers are inaccurate, the foundation of the recreation house crumbles.

### **Air Quality**

7, 8 The Air Quality Appendix (P) indicates that particulate emissions for replacement power will increase, both for carbon monoxide and carbon dioxide. Emissions of other gasses, including nitrous oxide and sulfur dioxide, are expected to remain unchanged. The report also indicates that emissions will not increase due to transportation modal shifts<sup>9</sup>. Other data provided by the Port of Portland indicate that on a per-ton basis, barges emit 20% of the hydrocarbons of rail and 14% of truck emissions; barges emit 29% of the carbon monoxide of rail and 11% of truck; and barges emit 29% of the nitrous oxide emissions of rail and 5% of truck. These factors directly conflict with the information presented in the Corps report. Intuitively, the Port data makes more sense than the Corps data does. And emissions

---

<sup>7</sup>p. I3-48.

<sup>8</sup>p. I3-45.

<sup>9</sup>p. P-ES-2

7, 8 | from trucks will be more highly concentrated in populated areas than emissions from tugboats on the  
cont. | river.

## Public Input

Gathering public was an immense challenge to the Corps for this paper, and also for the Federal Caucus input on its "All-H Paper". Agencies need to ensure that the hearings don't degenerate into theater, as the recent hearings on the "All-H paper" and lower Snake Environmental Impact Statement have done. The purpose of holding hearings in several local areas is to hear from the local residents, not to hear from the same busload of people that environmentalists put on the road for each hearing. This busload of people is well-trained, pushing their way to the front of the sign-up lines for testimony, and effectively shutting out the input of local residents. Federal agencies are understandably reluctant to decide who can testify and who cannot, but in the absence of leadership, anarchy reigns.

## Overlooked Impacts

We have known for some time that moving the nearly 4 million tons of commodities currently shipped by barge on the lower Snake River to rail or truck would cause some major impacts. Roads, already in a state of some disrepair, will receive increased use by heavy vehicles. Rail is twice as expensive as barge transportation, and truck transportation is 3-4 times barge rates. If barge transportation is terminated, rail companies will no longer have that competition to deal with, and rail rates are certain to increase. Increased power costs are estimated at \$250 million each year; irrigation at more than \$15 million each year; and breaching itself would cost at least \$1 billion. Breaching would also take at least 10 years to implement, and another 10 years before sediments settled to the point that conditions for fish would improve.

There are also negative environmental consequences associated with breaching. Truck and rail both consume more fuel and generate more air pollution per ton moved than does barge transportation. Replacing clean and renewable hydropower with alternatives (coal, nuclear, or the more-likely gas) all have their own complications — they're nonrenewable fossil fuels, they generate air particulate emissions, or they create radioactive byproducts.

A new study released on February 23, 2000, by several Oregon state agencies includes some new impacts to the regional picture. The study, entitled *Breaching the Lower Snake Dams: Transportation Impacts in Oregon*, was conducted by HDR Engineering, and conducted for the Port of Portland, the Oregon Department of Agriculture, the Oregon Economic Development Department, and the Oregon Department of Transportation. The study found, in addition to the impacts described above:

- ◆ Up to 9000 full containers currently shipped through the Port of Portland each year could be diverted to the Puget Sound or other ports.
- ◆ Up to four of the six ocean carriers currently calling in Portland might choose to stop calling at Portland if these containers could no longer be shipped on the Snake River. Two are considered "likely" to stop calling, and two more are considered "vulnerable".
- ◆ Shipping containers to Seattle instead of Portland will cost Oregon shippers an extra \$200 per container on the average.



- 9  
cont.
- ◆ Barge companies will lose between \$4 and \$11 million in business annually, and their rates to the remaining customers on the Columbia River would likely increase.
  - ◆ Agricultural land with yields of less than 45 bushels per acre may be at risk of being taken out of production due to higher transportation costs.
  - ◆ Increased transportation costs could reduce the value of some farmland in eastern Oregon and eastern Washington by an estimated \$88 per acre.

None of these impacts are considered in the FR/EIS document.

## An Alternative We *Can* Support

10

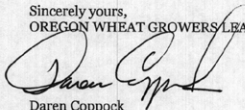
I also will say a brief word about an alternative that we believe is good for fish, economically reasonable, and immediately implementable. That option is a plan written by the Northwest Irrigation Utilities and the Pacific Northwest Waterways Association, which eventually became known as Framework Alternative #6. The plan focuses on reallocating flow from ineffective augmentation programs to power generation, investing the revenues from this added generation in habitat, passage, and other projects in the river system. The plan is the only one that provides the revenues for its expanded recovery program; the breaching options effectively kill the cash cow (the hydro system) that can pay for recovery practices.

Preliminary analysis shows that Alternative 6 is comparable in percentage increases (superior in absolute numbers) to breaching alternatives, and it is a plan that our membership can implement without going out of business. If the region could set aside extreme options like dam breaching and focus on reasonable plans that we can implement immediately, we would be a lot further down the road to recovering fish.

## Conclusion

The FR/EIS represents an immense investment of time and money to develop information relative to the operation of the system and salmon recovery. It is hampered by the shortcomings mentioned above, and by the lack of an identified Preferred Alternative. However, it is our hope that review of this document will inform the public about the economic costs of the various options, and facilitate a regional consensus that can move us from rhetoric to recovery in a biologically effective, economically rational manner.

Sincerely yours,  
OREGON WHEAT GROWERS LEAGUE



Daren Coppock  
Executive Vice President

cc: OWGL Board of Directors, Oregon Congressional Delegation, Pacific Northwest Waterways Association  
Washington Association of Wheat Growers, Idaho Grain Producers Association